



State of Idaho

Legislative Services Office

Individual Entity Audit Report

A communication to the Joint Finance-Appropriations Committee

**IDAHO GRAPE GROWERS AND
WINE PRODUCERS COMMISSION**

FY 2007

**Report OP99307
Date Issued: November 28, 2007**

Serving Idaho's Citizen Legislature

FOREWORD

PURPOSE OF AUDIT REPORT

Our fiscal/compliance audit of the Idaho Grape Growers and Wine Producers Commission was made to determine:

1. The adequacy and accuracy of the fiscal records and the reliability of the internal control system in order to issue an opinion on the fairness of the Commission's financial statements.
2. The degree of compliance with various State laws, rules, and regulations affecting the fiscal operations of the Commission.
3. The areas in the financial operations that could be improved.

SCOPE OF AUDIT

We examined the financial operations of the Commission for the fiscal year ended June 30, 2007.

The audit was performed in accordance with auditing standards generally accepted in the United States of America and the fiscal/compliance section of the *Government Auditing Standards* published by the U.S. Government Accountability Office (GAO).

Information contained in this report was gathered from accounting and administrative records. We also interviewed Commission personnel.

AUDIT AUTHORIZATION

Reported to the Joint Finance-Appropriations Committee as directed by the Legislative Council of the Idaho Legislature, authorized by Idaho Code, Section 67-429.

ASSIGNED STAFF

Darren Uranga, CPA, Staff Auditor

ADMINISTRATION AND TECHNICAL REVIEW

Don H. Berg, CGFM, Manager, Legislative Audits Division
Eugene Sparks, CPA, CGFM, Managing Auditor

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EXECUTIVE SUMMARY LEGISLATIVE AUDITS

IDAHO GRAPE GROWERS AND WINE PRODUCERS COMMISSION

PURPOSE AND SCOPE. We have audited the financial statements of the Idaho Grape Growers and Wine Producers Commission for the fiscal year ended June 30, 2007, in accordance with auditing standards generally accepted in the United States of America. The purpose of our audit is to determine whether the Commission's financial statements are materially accurate and reliable, and that it complied with laws and regulations affecting fiscal operations.

CONCLUSION. We conclude that the Commission's financial statements are materially accurate and reliable, and fiscal operations materially comply with related laws and regulations. As a result, we issued an unqualified opinion on the Commission's financial statements.

FINDINGS AND RECOMMENDATIONS. There are no findings and recommendations in this report, nor were there any findings and recommendations in the prior report. However, we did suggest minor internal control improvements.

AGENCY RESPONSE. The Commission has reviewed the report and is in general agreement with its contents.

FINANCIAL SUMMARY. The Commission receives its funding mainly from a State tax on wine sold in Idaho. Other receipts are from taxes allowed by Idaho Code for each winery and grape grower.

IDAHO GRAPE GROWERS AND WINE PRODUCERS COMMISSION

BALANCE SHEET

June 30, 2007

ASSETS	
Cash and Investments	\$186,316
Other Assets	<u>16,692</u>
Total Assets	<u>\$203,008</u>
LIABILITIES	
Accounts Payable	<u>\$22,367</u>
Total Liabilities	\$22,367
Fund Balance	<u>180,641</u>
Total Liabilities and Fund Balance	<u>\$203,008</u>

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE

	<u>June 30, 2007</u>
REVENUES	
State Wine Tax	\$149,593
Other Taxes and Dues	38
Interest Income	<u>1,173</u>
Total Revenues	<u>\$150,804</u>
EXPENDITURES	
Administrative Expenses	<u>\$89,561</u>
Total Expenditures	\$89,561
Excess of Revenues over Expenditures	61,243
OTHER FINANCING SOURCES	
Extraordinary Gain	7,931
Net Change in Fund Balance	69,174
Beginning Fund Balance	<u>111,467</u>
Ending Fund Balance	<u>\$180,641</u>

OTHER ISSUES. Legislative auditors discussed other, less important issues which, if changed, would improve internal control, ensure compliance, or improve efficiency.

This report is intended solely for the information and use of the State of Idaho and the Idaho Grape Growers and Wine Producers Commission and is not intended to be used by anyone other than these specified parties.

We appreciate the cooperation and assistance given to us by the executive director, Sherise Jones, and her staff.

QUESTIONS CONCERNING THIS AUDIT SHOULD BE DIRECTED TO:

Don H. Berg, CGFM, Manager, Legislative Audits Division
Eugene Sparks, CPA, CGFM, Managing Auditor

Report OP43607

AGENCY RESPONSE



Idaho Grape Growers and Wine Producers Commission
117 S. 9th Ave., Ste. 2 P.O. Box 1218
Caldwell, ID 83606
208.455.8354 888.223.WINE
info@idahowines.org

November 12, 2007

Mr. Don Berg
Legislative Services Office
Statehouse
PO Box 83720
Boise, Idaho 83720-0054

Dear Mr. Berg:

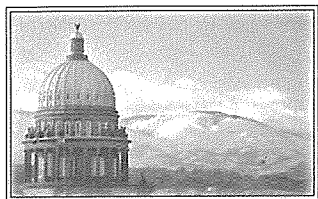
We are providing this letter in connection with your audit of the financial statements of Idaho Grape Growers and Wine Producers Commission as of fiscal year end June 30, 2007.

After a thorough review of the draft audit, we accept its contents and recommendations. The Commission intends to implement the recommendations this fiscal year. Thank you very much for the information and assistance you provided during this audit period.

Sincerely,

A handwritten signature in black ink, appearing to read "Sherise Jones", written over a horizontal line.

Sherise Jones
Executive Director



Legislative Services Office Idaho State Legislature

Serving Idaho's Citizen Legislature

Jeff Youtz
Director

Unqualified Opinion on
Basic Financial Statements

September 28, 2007

Independent Auditor's Report

Members of the Idaho Grape Growers and Wine Producers Commission
Sherise Jones, Executive Director
P.O. Box 1218
Caldwell, ID 83606

Commission Members and Executive Director:

We have audited the accompanying financial statements of the governmental activities and the special revenue fund of the Idaho Grape Growers and Wine Producers Commission as of and for the year ended June 30, 2007, which collectively comprise the Commission's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Commission's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the special revenue fund of the Commission as of June 30, 2007, and the respective changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 28, 2007, on our consideration of the Commission's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered when assessing the results of our audit.

04

Mike Nugent, Manager
Research & Legislation

Cathy Holland-Smith, Manager
Budget & Policy Analysis

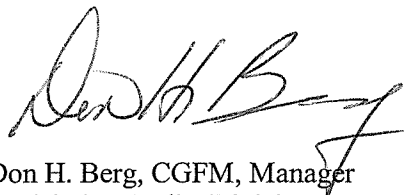
Don H. Berg, Manager
Legislative Audits

Glenn Harris, Manager
Information Technology

The Commission has not presented the Management Discussion and Analysis that the Governmental Accounting Standards Board has determined is necessary to supplement, although not required to be part of, the basic financial statements.

The budgetary comparison information contained in the required supplementary information is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Sincerely,

A handwritten signature in dark ink, appearing to read "Don H. Berg", with a stylized flourish at the end.

Don H. Berg, CGFM, Manager
Legislative Audits Division

STATE OF IDAHO
IDAHO GRAPE GROWERS AND WINE PRODUCERS COMMISSION
STATEMENT OF NET ASSETS
AS OF JUNE 30, 2007

	June 30, 2007 Governmental Activities
ASSETS	
Cash and Cash Equivalents	\$157,672
Certificates of Deposit	28,644
Accounts Receivable	16,087
Accrued Interest Receivable	51
Prepaid Dues	554
Total Assets	<u>\$203,008</u>
LIABILITIES	
Accounts Payable	<u>\$22,367</u>
Total Liabilities	<u>\$22,367</u>
NET ASSETS	
Unrestricted	<u>\$180,641</u>
Total Net Assets	<u><u>\$180,641</u></u>

The accompanying notes are an integral part of these financial statements.

STATE OF IDAHO
IDAHO GRAPE GROWERS AND WINE PRODUCERS COMMISSION
STATEMENT OF ACTIVITIES
FOR YEAR ENDED JUNE 30, 2007

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Charges for Services</u>	<u>Net (Expenses) Revenue and Changes in Net Assets Governmental Activities</u>
Administrative Expenses	<u>\$89,561</u>	<u>\$0</u>	<u>(\$89,561)</u>
Total Governmental Activities	<u><u>\$89,561</u></u>	<u><u>\$0</u></u>	<u><u>(\$89,561)</u></u>
General Revenues:			
State Wine Tax			\$149,593
Other Taxes and Dues			38
Interest Income			1,173
Extraordinary Gain			<u>7,931</u>
Total General Revenues			<u>\$158,735</u>
Change in Net Assets			\$69,174
Beginning Net Assets			<u>111,467</u>
Ending Net Assets			<u><u>\$180,641</u></u>

The accompanying notes are an integral part of these financial statements.

STATE OF IDAHO
IDAHO GRAPE GROWERS AND WINE PRODUCERS COMMISSION
BALANCE SHEET
GOVERNMENTAL FUND
AS OF JUNE 30, 2007

	<u>June 30, 2007</u> <u>General Fund</u>
ASSETS	
Cash and Cash Equivalents	\$157,672
Certificates of Deposit	28,644
Accounts Receivable	16,087
Accrued Interest Receivable	51
Prepaid Dues	554
Total Assets	<u>\$203,008</u>
LIABILITIES AND FUND BALANCE	
Liabilities:	
Accounts Payable	<u>\$22,367</u>
Total Liabilities	<u>\$22,367</u>
Fund Balance	
Unreserved and Undesignated Fund Balance	<u>\$180,641</u>
Total Liabilities and Fund Balance	<u>\$203,008</u>

RECONCILIATION OF THE GOVERNMENTAL FUND BALANCE
SHEET TO THE STATEMENT OF NET ASSETS

	<u>FY 2007</u>
Total Fund Balance for Governmental Funds	<u>\$180,641</u>
There is no difference in the Statement of Net Assets and the Balance Sheet.	<u>0</u>
Net Assets of Governmental Activities	<u>\$180,641</u>

The accompanying notes are an integral part of these financial statements.

STATE OF IDAHO
IDAHO GRAPE GROWERS AND WINE PRODUCERS COMMISSION
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUND
FOR THE YEAR ENDED JUNE 30, 2007

	FY 2007 General Fund
REVENUES	
State Wine Tax	\$149,593
Other Taxes and Dues	38
Interest Income	1,173
Total Revenues	<u>\$150,804</u>
EXPENDITURES	
Administrative Expenses	<u>\$89,561</u>
Total Expenditures	<u>\$89,561</u>
Excess (Deficiency) of Revenues	
Over Expenditures--Net Change	\$61,243
OTHER FINANCIAL SOURCES	
Extraordinary Gain	7,931
Beginning Fund Balance	<u>\$111,467</u>
Ending Fund Balance	<u><u>\$180,641</u></u>

RECONCILIATION OF THE GOVERNMENTAL FUND STATEMENT OF
REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE TO
THE STATEMENT OF ACTIVITIES AS OF JUNE 30, 2006

	FY 2007
Net Change in Fund Balances - Government Fund	<u>\$61,243</u>
Extraordinary gain is not a normal revenue source.	<u>7,931</u>
Change in Net Assets of Government Activities	<u><u>\$69,174</u></u>

The accompanying notes are an integral part of these financial statements.

NOTES TO FINANCIAL STATEMENTS

NOTE #1

SIGNIFICANT ACCOUNTING POLICIES

FINANCIAL REPORTING ENTITY

The financial statements of the Idaho Grape Growers and Wine Producers Commission have been prepared in conformity with United States generally accepted accounting principles (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the Commission's accounting policies are described below.

The Commission has considered potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the Commission are such that exclusion would cause the Commission's financial statements to be misleading or incomplete. As defined by *GASB Statement No. 14*, as amended by *GASB Statement No. 39*, financial accountability exists generally if (1) the Commission appoints a voting majority of the organization's governing board, and (2) the Commission is able to impose its will on the organization, or there is potential for the organization to provide specific financial benefits to, or impose specific financial burdens on the Commission. No such component units were identified.

BASIS OF PRESENTATION

Government-Wide Financial Statements

The Statement of Net Assets and the Statement of Activities report all activities of the Commission as governmental activities. These activities are financed primarily by the wine tax collected by the State Tax Commission.

The Statement of Activities presents a comparison between direct expenses and program revenues for each function of the Commission. Direct expenses are those specifically associated with a function and, therefore, are clearly identifiable to a particular function. Program revenues include fees and charges paid by recipients for goods or services offered by the program. Revenues not classified as program revenues are presented as general revenue. The Commission has no program revenues.

Fund Financial Statements

The fund financial statements provide information about the Commission's Special Revenue Fund, and differ from government-wide financial statements as explained below.

MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

Government-Wide Statements

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. All assets and liabilities are presented on the balance sheet. Revenues are recorded when earned, and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place.

Governmental Fund Financial Statements

Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, only current assets and current liabilities are generally included on the balance sheet. Revenues are recognized when measurable and available. The Commission considers all revenues reported in the Special Revenue Fund to be available if the revenues are collected within 60 days following year-end. Taxes and interest are considered to be susceptible to accrual. Expenditures are recorded when the related liability is incurred. General capital asset acquisitions are reported as expenditures in governmental funds. The Commission did not acquire any capital assets in fiscal year 2007.

BUDGETS AND BUDGETARY ACCOUNTING

The Commission adopts an annual budget on a modified accrual basis. Idaho Code, Section 54-3607 provides the Commission with a continuous appropriation, therefore, spending authority is not limited by the legislature.

OTHER

Refunds received are credited to the original expenditure classification.

The Commission does not have any employees, all administrative activities are contracted.

NEW ACCOUNTING STANDARDS

In March 2003, GASB issued *Statement #40, Deposit and Investment Risk Disclosure – an Amended of GASB Statement #3*. This statement addressed common deposit and investment risks related to credit risk, concentration of credit risk, interest rate risk, and foreign currency risk.

NOTE #2***CASH AND INVESTMENTS***

The ending cash balances and investments at June 30, 2007, are as follows:

	<u>June 30, 2007</u>
Key Bank Checking Account	\$157,672
Key Bank CD #1	14,322
Key Bank CD #2	<u>14,322</u>
	<u>\$186,316</u>

All of these funds are insured by the Federal Deposit Insurance Corporation (FDIC).

NOTE #3***COMPENSATE ABSENCES***

The Commission does not have any employees, so no benefits are accrued.

NOTE #4***FUNDING***

The Commission is financed by a forty-five cent (45¢) per gallon excise tax collected by the Idaho State Tax Commission for wine sales in Idaho. The Idaho State Tax Commission distributes five percent (5%) of the total amount collected on a monthly basis to the Idaho Grape Growers and Wine Producers Commission. The Commission also receives various taxes and dues from grape growers and wine producers for grapes grown in Idaho or grapes and grape juice purchased outside Idaho for the production of wine in Idaho. The amount of funds received by the Commission is subject to various conditions, including wine sales, wine production, weather, and acres of grapes cultivated.

NOTE #5***EXTRAORDINARY GAIN***

Extraordinary gain is revenue that is unusual in nature and infrequent in occurrence. This gain was from grants from prior years that were not completely used, and the excess funds were returned to the Commission.

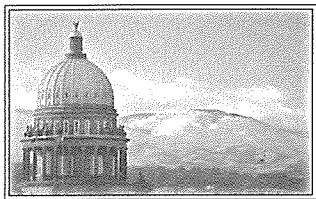
STATE OF IDAHO
IDAHO GRAPE GROWERS AND WINE PRODUCERS COMMISSION
SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET TO ACTUAL
GOVERNMENTAL FUND
FOR THE YEAR ENDED JUNE 30, 2007

	Original and Budgeted Amounts	Actual Amounts	Variance with Budget - Positive (Negative)
REVENUES			
State Wine Tax	\$146,596	\$149,593	\$2,997
Other Taxes and Dues	7,000	38	(6,962)
Interest Income	400	1,173	773
Grant Revenue (refund from prior year expense)	0	7,931	7,931
Total Revenues	<u>\$153,996</u>	<u>\$158,735</u>	<u>\$4,739</u>
EXPENDITURES			
Administrative Expenses	<u>\$117,160</u>	<u>\$89,561</u>	<u>(\$27,599)</u>
Total Expenditures	<u>\$117,160</u>	<u>\$89,561</u>	<u>(\$27,599)</u>

The accompanying notes are an integral part of this required supplementary information.

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION — BUDGETARY REPORTING

The Commission adopts an annual budget on a modified accrual basis. Idaho Code, Section 54-3607 provides the Commission with a continuous appropriation, therefore, spending authority is not limited by the legislature.



Legislative Services Office Idaho State Legislature

Serving Idaho's Citizen Legislature

Jeff Youtz
Director

September 28, 2007

Independent Auditor's Report on Internal Control
Over Financial Reporting and on Compliance and
Other Matters Based on an Audit of Financial
Statements Performed in Accordance
With Government Auditing Standards

Members of the Idaho Grape Growers and Wine Producers Commission
Sherise Jones, Executive Director
P.O. Box 1218
Caldwell, ID 83606

Commission Members and Executive Director:

We have audited the financial statements of the Idaho Grape Growers and Wine Producers Commission as of and for the year ended June 30, 2007, and have issued our report thereon dated September 28, 2007. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Commission's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control report that might be material weaknesses. However, we identified certain conditions in the internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency that adversely affects the Commission's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Commission's financial statements that is more than inconsequential will not be prevented or detected by the Commission's internal control.

We consider the deficiencies described below to be significant deficiencies in internal control over financial reporting.

Mike Nugent, Manager
Research & Legislation

Cathy Holland-Smith, Manager
Budget & Policy Analysis

Don H. Berg, Manager
15 Legislative Audits

Glenn Harris, Manager
Information Technology

Statehouse, P.O. Box 83720
Boise, Idaho 83720-0054

Tel: 208-334-2475
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- 2007-01** Government Auditing Standards place the responsibilities on management for the preparation of the comprehensive financial statements and notes for the audit report. The Commission does not have an internal control system designed to provide for the preparation of the comprehensive financial statements being audited. As auditors, we were requested to draft the comprehensive financial statements and notes from the Commission's accounting system. This circumstance is not unusual for an entity the size of the Commission. It is the responsibility of management and those charged with governance to make the decision whether to accept the degree of risk associated with this condition because of cost or other considerations.
- 2007-02** During the course of our engagement, we proposed material audit adjustments that would not have been identified as a result of the Commission's existing internal controls, and therefore could have resulted in a material misstatement of the Commission's financial statements.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Commission's internal control. Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered material weaknesses. However, we consider item 2007-02 described above to be a material weakness.

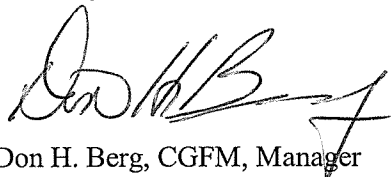
Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Commission's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain other matters that we have reported to the management of the Commission in a separate letter.

This report is intended solely for the information and use of the State of Idaho and the Grape Growers and Wine Producers Commission and is not intended to be used by anyone other than these specified parties.

Sincerely,



Don H. Berg, CGFM, Manager
Legislative Audits Division

STATE OF IDAHO
IDAHO GRAPE GROWERS AND WINE PRODUCERS COMMISSION
REVENUES AND EXPENDITURES - 2008 BUDGET
GOVERNMENTAL FUND

	<u>Budgeted Amounts</u>
REVENUES	
State Wine Tax	\$149,693
Other Taxes and Dues	3,572
Interest Income	325
Total Revenues	<u>\$153,590</u>
EXPENDITURES	
Dues and Subscriptions	\$3,500
Meetings - Commission	5,000
Legal and Accounting	4,700
Insurance	1,200
Office Rent	6,000
Office Expenses	1,600
Postage	1,500
Promotional	55,975
Research and Education	13,626
Telephone	1,700
Travel Expenses	1,800
Miscellaneous	300
Contract Labor	53,000
Computer Software	750
Web Page Development	1,500
TOTAL EXPENDITURES	<u>\$152,151</u>

As required by Idaho Code, Section 54-3607, an income estimate and projection of anticipated expenses for the next fiscal year is required to be presented.

APPENDIX

HISTORY

The Idaho Grape Growers and Wine Producers Commission was created by law in 1984. On July 1, 1995, the Commission was placed under the Department of Self-Governing Agencies. Statutory authority for the Commission is in Idaho Code, Title 54, Chapter 36.

ORGANIZATION

The Commission is composed of five members – three grape growers and two wine producers. The Commission contracts for administrative and bookkeeping services.

PURPOSE

The general purpose of the Commission is to provide for and conduct comprehensive and extensive research, advertising, and educational campaigns as the grape crop and wine product, sales, and market conditions reasonably require. The Commission will investigate and ascertain the needs of the growers, conditions of the market, and extent to which public convenience and necessity requires research and advertising.

FUNDING

The Commission receives five percent (5%) of the forty-five cents (45¢) per gallon excise tax collected by the Idaho Tax Commission for wine sales in Idaho.

The Commission also receives various taxes and dues from grape growers and wine producers for grapes grown in Idaho or purchased outside of Idaho for the production of wine.